

Administrative Costs Request

Please submit the following documentation as part of the 2012 small and large employer group rate factor review process for commercial health insurance issuers in Rhode Island undertaken by the State of Rhode Island Office of the Health Insurance Commissioner (OHIC).

1. Please provide a Microsoft Excel spreadsheet in the following format, detailing the 2011 actual and 2013 requested small and large group administrative costs on a per member per month (PMPM) basis, allocated among the National Association of Insurance Commissioner's (NAIC) financial statement administrative cost categories. Please explain any significant changes from the financial filing for 2011 (increases/decreases of more than five percent in a particular category).

Requested Small and Large Group Administrative Costs

| | 2011 Actual (from Filed Financial Statements) | | 2013 Proposed | | % Change | |
|---|---|-------------|---------------|-------------|-------------|-------------|
| | Small Group | Large Group | Small Group | Large Group | Small Group | Large Group |
| Total Estimated Member Months | | | | | | |
| Total Estimated Premiums (\$PMPM) | | | | | | |
| Total General Administrative Expense (\$PMPM) | | | | | | |
| Total Cost Containment Expense | | | | | | |
| Total Other Claim Adjustment Expense | | | | | | |
| Breakdown of General Administrative Expense (\$PMPM) | | | | | | |
| Payroll and Benefits | | | | | | |
| Outsourced Services (EDP, claims, etc.) | | | | | | |
| Auditing and Consulting | | | | | | |

| | 2011 Actual (from Filed Financial Statements) | | 2013 Proposed | | % Change | |
|-----------------------------------|---|-------------|---------------|-------------|-------------|-------------|
| | Small Group | Large Group | Small Group | Large Group | Small Group | Large Group |
| Commissions | | | | | | |
| Marketing and Advertising | | | | | | |
| Legal Expenses | | | | | | |
| Taxes, Licenses, and Fees | | | | | | |
| Reimbursements by Uninsured Plans | | | | | | |
| Other Administrative Expenses | | | | | | |

2. Please also provide a Microsoft Excel spreadsheet in the following format, detailing actual calendar year 2007 to 2011 **fully insured commercial administrative costs**—in accordance with the following table. This should be consistent with the annual statement filings to OHIC for administrative costs, providing additional detail on the components of administrative costs using the categories defined by the NAIC financial statement and as allocated to commercially insured business only. Specifically, the information provided should agree with the “Exhibit of Premiums, Enrollment and Utilization” and the “Analysis of Operations by Line of Business” schedules included in the annual statements on file with OHIC. Where there are variances, a reconciliation and explanation should be provided.

Fully Insured Commercial Administrative Cost History

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|------|------|
| Total Premiums | | | | | |
| Total General Administrative Expense | | | | | |
| General Admin Expense Ratio | | | | | |
| Total Fully Insured Member Months | | | | | |
| General Administrative Expense (\$MPM) | | | | | |
| Breakdown of General Administrative Expenses (\$MPM) | | | | | |
| Payroll and benefits | | | | | |
| Outsourced Services (EDP, claims etc.) | | | | | |

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------|------|------|------|------|
| Auditing and consulting | | | | | |
| Commissions | | | | | |
| Marketing and Advertising | | | | | |
| Legal Expenses | | | | | |
| Taxes, Licenses, and Fees | | | | | |
| Reimbursements by Uninsured Plans | | | | | |
| Other Administrative Expenses | | | | | |
| Other | | | | | |
| Cost Containment Expense | | | | | |
| Other Claim Adjustment Expense | | | | | |
| Self-insured | | | | | |
| Total Self-insured Member Months for All Affiliated Companies Doing Business in Rhode Island | | | | | |

3. At the request of OHIC's Health Insurance Advisory Council, please provide brief answers to the following questions:

- In general and net of new taxes and fees, why should the rate of increase in issuer administrative costs exceed the general inflation rate?
- What percentage of administrative costs does your organization consider fixed for the next five years? Provide detail by expense categories.
- What administrative services are used by fully insured members that are not used by self-insured clients (e.g., broker commissions) and what are the estimated total costs (\$PMPM) for those services?
- What does your organization use as its PMPM benchmarks or price points for commercial administrative costs and why?

Thank you for your cooperation.